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RUEHZK/ECOWAS COLLECTIVE
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RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEHRC/DEPT OF AGRICULTURE WASHDC

UNCLAS SECTION 01 OF 02 ABUJA 000976

SENSITIVE
SIPDIS

DEPT PASS TO USTDA-PAUL MARIN, EXIM-JRICHTER
DEPT PASS TO USTR-AGAMA
DEPT PASS TO USAID AFR/SD FOR CURTIS, ATWOOD, AND SCHLAGENHAUF
BAGHDAD FOR MCCULLOUGH
TREASURY FOR PETERS ANDIERONIMO
DOC FOR 3317/ITA/OA/KBURRESS AND 3130/USFC/OIO/ANESA/CREED

E.O. 12598: N/A

TAGS: [ENRG](#) [EPET](#) [ECON](#) [EINV](#) [EAID](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA: INDEPENDENT POWER PRODUCERS OFFERED USG
ASSISTANCE

REF: A. ABUJA 573

[1](#)B. ABUJA 169

[1](#)C. 08 ABUJA 1311

[1](#)D. 08 ABUJA 840

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SENSITIVE BUT UNCLASSIFIED - HANDLE ACCORDINGLY

[1](#)1. (SBU) The Independent Power Producer Association of Nigeria (IPPAN) met with EconOff and USAID Consultant on May 19 to discuss the challenges they are facing in the industry and propose a plan to overcome the obstacles, which included: an authorized power purchase agreement; loan guarantees; an authorized credit worthy off taker (buyer); and a new tariff model that reflects market pricing and would account for currency fluctuations. It was agreed that the power sector is characterized by a strong government monopoly and what appears to be weak government support for private sector participation. USAID concluded that it would be important to provide assistance to accelerate energy sector reforms. A request will be made for funding assistance through USAID's Africa Infrastructure Program (AIP) and will be incorporated as part of the FY 2009 bilateral USAID program. End Summary.

[1](#)2. (SBU) The membership of the Independent Power Producer Association of Nigeria (IPPAN) met at the Embassy with EconOff and USAID Consultant on May 19 to discuss the status of the industry and their public-private partnership (PPP) with the Mission. They reported that there was no positive movement from the government of Nigeria (GON) on:

- Nigerian Electricity Regulatory Commission (NERC) to approve outstanding power purchase agreements (PPA);
- A designed "off-taker," (buyer) for generated electricity;
- Addressing loan guarantees to ensure payments to the IPPs; or
- A new tariff model that reflects market pricing and accounts for currency fluctuations because the current wholesale price in the multiyear tariff order (MYTO) is not sufficient.

[1](#)3. (SBU) IPPAN members lamented that they feared their years of work and investment in developing power projects will be lost if something does not happen soon. EconOff shared that the Ambassador had met with Minister of Power Babalola (reftel A) and discussed these issues. Babalola briefed that PPA and "off-taker" arrangements are still under review. The GON is in discussions with

the World Bank on partial risk guarantees to the public sector power plants and IPPs. Regarding the multiyear tariff order, the Minister had agreed to reexamine the model (reftel D) and, indeed, sponsored a meeting between the industry and NERC on May 8. [Note: The potential PPA/Off-taker agreements will likely be with the 11 Nigerian distribution companies (DISCOs), through a proposed indemnity agreement between the World Bank, the International Development Association (IDA) and the GON with guarantee payments through local banks. Moreover, this indemnity along with the recent direct budget issue to the DISCOs may place the DISCOs as credit worthy in the eyes of the financial sector; which is critical to attain long-term financing. End Comment.]

¶4. (SBU) USAID's Africa Infrastructure Program (AIP) Consultant Alan Rossier briefed IPPAN on the AIP program. The briefing netted a good discussion about the various problems in the IPP sector and possible solutions. Professor Bart Nnaji, IPPAN President, stated that the industry had suffered serious setbacks and frustration due to government's lack of support and backing for independent power producers (IPP). He emphasized that without necessary GON support all technical assistance and consultancy will not be achievable. IPPAN agreed that the hegemony of the GON in the power sector is the reason for the continued delay in full deregulation of the power sector.

¶5. (SBU) IPPAN again set a plea for USG assistance (reftel B) and requested the USG provide support to IPPAN through the AIP program and that a Nexant Energy (USAID) Consultant should be an adviser to the IPPs through IPPAN and provide reports and briefings as necessary to accurately tell the story of what the industry needs in order to provide the next 10,000 megawatts of power Nigeria is desperate for. Rossier agreed to submit the request for review and disseminated questionnaires on the specifics of each stalled power project.

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COMMENT

¶6. (SBU) USAID Nexant consultant also met with USAID Director for Economic Growth and Environment to discuss the needs of IPPAN and opportunities to accelerate energy sector investments. It was agreed that Nexant will prepare a detailed work plan for possible support through the AIP with USAID Washington funding, an initial round of assistance would be provided through AIP, and that additional support will be seriously considered under the new USAID Nigeria energy program that will start with FY 2009 funds.

¶7. (SBU) Nigeria's power sector is plagued with setbacks in the quest to deregulate. Personal and political interests play out in Nigeria, usually at the cost of the societal needs. We continue to work closely with the Ministry to provide support. Getting the private sector on track to build power plants and continue working with the Minister of Petroleum Resources to secure gas for the power plants is critical to Nigeria's current and future economy. END COMMENT.

¶8. (U) This cable was coordinated with Consulate Lagos.

SANDERS